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SUBJECT: JORDANIAN BANKS RECEIVE LARGE DEPOSITS FROM
ALLEGED IRAQI MOD FRONT COMPANY

REF: A. AMMAN 3963

1B. BAGHDAD 2145
1C. BAGHDAD 213

Classified By: DAVID HALE, CHARGE D'AFFAIRES A.I., REASONS: 1.4 (B &D)

Summary

11. (U) This cable represents a joint message from Embassies Amman and Baghdad.

12. (S/NOFORN and throughout) In the course of checking into recent rumors about alleged large-scale deposits into Jordanian banks by Iraqi government personnel, Amman Emboff learned of an alleged Iraqi Ministry of Defense-related front company that has reportedly placed over \$400 million in Jordanian banks over the last several months. According to sources (primarily a prominent Iraqi businessman close to Shalan, who claimed to be relating information given to him by a former senior MOD official and the senior management of two Jordanian banks), the front company was set up by a "cabal" within the MOD with the cooperation of former IIG President Yawwer and IIG Defense Minister Shalan, among others.

13. (S/NF) The company, reportedly headed by a former Baghdad money changer, allegedly received at least 46 MOD contracts for items ranging from Polish helicopters to Kalashnikov weapons and ammunition, side arms, and much else. Sources claim that the MOD was grossly over-charged for these contracts, in some cases by as much as 400 percent. We have independently received partial confirmation of the businessman's story from a current senior MOD official and the Chairmen of two leading Jordanian banks. While conclusive evidence is lacking (and may never be available), the incident is illustrative of what many of our Iraqi and Jordanian sources assert is a common pattern in Iraqi government contract awards.

14. (S/NF) The overall issue of corruption in the MOD was raised by former Prime Minister Allawi and the Commissioner on Public Integrity at the end of the Interim Government period (ref c) and flagged for the current government by recent completion of a Board of Supreme Audit review. On June 19, a key MOD official cited below as heavily involved in procurement corruption was removed from the ministry. Embassy Baghdad continues to follow up and assist Iraqi security and other ministries to regularize procurement practices. New Minister of Defense Duleimi is committed to rooting out corruption in his ministry. End Summary.

Jordanian Deposits by Alleged MOD-Tied Iraqi Front Company

15. (S/NF) Amman Emboff spoke to prominent Amman-based Iraqi businessman Talal al-Gaaod (reftel) on June 6 about a rumor that an unnamed "senior Iraqi government official" deposited approximately up to \$1 billion in various Jordanian banks sometime in May. Al-Gaaod responded that he had been contacted separately by senior management from the Jordanian National Bank (JNB) and the Housing Bank of Jordan (HBJ) and asked if he knew anything about an Iraqi national named Nair Mohammed Ahmed.

16. (S/NF) Al-Gaaod said the bankers told him that Ahmed was personally introduced to them by wealthy Iraqi businessman Sa'ad Bunnia, and subsequently made USD money deposits of over \$400 million, transferred into Jordanian banks from the al-Warka bank in Baghdad. Al-Gaaod said he was told by the bankers that Ahmed was working with four Jordanian banks, however Al-Gaaod acknowledged that he was only contacted directly by the management of the above two banks. Al-Gaaod said he understood that Ahmed set up most of these accounts in the name of the Al Layen al Jarieyeh company.

Money Changer Makes Good

17. (S/NF) Al-Gaaod said that he told the bankers he had never heard of Ahmed or the al-Jarieyeh company before, but would check. He said that he subsequently ascertained that Ahmed ("uneducated, with three wives") owns a Baghdad money-changing business and is now playing a role in obtaining procurement contracts from the Ministry of Defense. Al-Gaaod said the bankers told him that Ahmed showed them his passport, which included multiple-entry US and UK visas.

18. (S/NF) Al-Gaaod called Emboff later on June 6 to relate that he had confirmed (from unnamed sources) that Ahmed is acting as a front man for former Defense Minister Sha, lan and former President Gazi Yawwer. According to al-Gaaod, the money represented funds provided to the MOD for supplying the Iraqi security forces. Stating that he had "important new information" on this issue, al-Gaaod asked that Emboff meet again with him again in person.

New Information: Naming Names

19. (S/NF) Emboff met al-Gaaod on June 7. Talal then provided his "new information," most of which he claimed came from a meeting he had the previous evening with Mishal al-Saraf, whom he described as a long time acquaintance and a former senior IIG MOD official (see paragraph #22 below). Talal said that al-Saraf had recently contacted him about lobbying the new Minister of Defense, Sa,adoun Dulaimie (a good friend of al-Gaaod,s), in favor of awarding some new MOD contracts to a Lebanese company. Al-Gaaod said he told al-Saraf that he did not want to get involved, but agreed to meet with him on the evening of June 6 at his current residence in Amman, where he used the opportunity to ask al-Saraf about Ahmed.

How the Scheme (Allegedly) Worked

110. (S/NF) According to al-Gaaod, al-Saraf confirmed that Ahmed is a front man who was set up in the al-Jarieyeh company last summer by a "cabal" whose chief operating officers are MOD Director General Ziad Kattan and MOD "Contract Manager" Brusqa Shaways, brother of former IIG Vice President and current ITG Deputy Prime Minister Rowsch Shaways. Talal said that al-Saraf admitted that he also played a role and claimed that Sha,lan cooperated the scheme and that Yawwer, VP Shaways, and Massoud Barzani were also aware of it. Al-Gaaod said that al-Saraf explained to him that the basis of the cabal's strategy involved taking advantage of severe pressure from CentCom and the USG generally to rapidly award contracts related to rebuilding the Iraqi security forces.

Alleged Cash Pay-Off to Gazi Yawwer

111. (S/NF) Al-Saraf told Talal that, to accommodate this pressure (or using it as an excuse), normal contract award procedures were not followed and there was no regulated bidding process. Among other outcomes of this (alleged) uncontrolled procedure, al-Saraf related, 46 contracts amounting to \$1.2 billion were awarded to Ahmed,s front company. These contracts ranged from provision of Polish MI-8 and Sokol helicopters to ammunition, side arms, AK-47, s, and much else. Talal claimed that al-Saraf added that most of the \$1.2 billion was paid out and moved into Jordanian and Lebanese banks by December 2004 (i.e., before most of the contracts were fulfilled). Talal said that al-Saraf told him that cabal members were paid shares of the profit in stages, and asserted that he personally delivered a payoff of \$4.8 million in cash to Gazi Yawwer.

Leaking to Chalabi?

112. (S/NF) Al-Gaaod said that al-Saraf then removed copies of all 46 contracts from inside a cabinet and allowed Talal to leaf through them. Talal said that al-Saraf explained that he had retained the copies along with other documentation to protect himself and to maintain leverage against the other cabal members, whom he complained are "cheating" him of his fair share of the take. Talal added that al-Saraf is aligning himself with Ahmed Chalabi and may have already given some of this documentation to Chalabi.

Al-Gaaod: Ahmed Has Put \$400 Million in Jordanian Banks

113. (S/NF) Based on his conversation with al-Saraf and others (allegedly including the Chairman of the Jordanian National Bank), al-Gaaod asserted that over \$400 million is or was recently held in Jordanian banks in various accounts, and that Ahmed has at least another \$200 plus million in the al-Warka bank in Baghdad, and in Lebanon.

¶14. (S/NF) Al-Gaaod said that the bankers told him that Ahmed said he would use some of this money to finance investments in Jordan. He added that the JNB Chairman told him that Ahmed has already drawn funds from his accounts to purchase local real estate (including the former home of Prince Ra'ad), and \$10 million in JNB investment portfolio packages.

Jordanian Bankers Provide Further Insights

¶15. (S/NF) Embassy Amman ECON Counselor met on Thursday, June 8 with Michel Marto, Chairman of the HBJ. Marto confirmed that Ahmed held large accounts at the Housing Bank. Marto described Ahmed as an ethnic Kurd affiliated with President Talabani and the PUK who holds legitimate contracts from the U.S. DOD to import vehicles and spare parts for the Iraqi army and security forces, and who wanted Housing Bank to open letters of credit so that he could purchase these vehicles.

¶16. (S/NF) Marto said that after checking up on Ahmed, HBJ insisted on a 100% cash collateral for the letters of credit. Ahmed had opened two letters of credit - the first (8-9 months ago) for JD 40 million (\$56.5 million) and more recently for JD 70 million (\$99 million); he had deposited exactly these amounts at Housing Bank to cover Marto's requirement for cash collateral, and according to Marto had not used them for any investments in Jordan. Marto also said that while some of the money deposited to cover the letters of credit had come in as wire transfers, the bulk had come in as cash - "U.S. bills still in the wrapped stacks, never touched by human hands."

Real Estate Purchases

¶17. (S/NF) On Tuesday, June 14, Emboffs met with Rajai Muasher, Chairman of Jordan National Bank (JNB). Muasher claimed that the al-Warka Bank had contacted JNB eight months earlier and had asked that it open an account for Ahmed; JNB had done so in response to this request, presumably after doing due diligence. Muasher said that JNB had only received deposits in the form of \$30 million in wire transfers from the Housing Bank and that the transactions off the JNB accounts were primarily letters of credit for purchase of military vehicles. He noted, however, that in addition to conducting substantial real estate speculation in Amman, Ahmed had bought out two issues of JNB 2- and 3-year CDs (valued at a total of \$5 million) and had contacted Muasher requesting the opportunity to purchase five million shares of JNB stock (valued at \$28 million). Muasher had refused the latter offer, but noted that Ahmed was only one of many new faces appearing in Amman with ridiculous sums of money about whose origin he could only speculate.

Central Bank Comments

¶18. (S/NF) Emboffs met on Sunday, June 12 with Central Bank of Jordan Deputy Governor Faris Sharaf, whose portfolio includes banking regulation. Sharaf noted that the large transactions being made by Ahmed had come to the CBJ's notice as well, and that the CBJ had looked into it, but had been satisfied that the transactions were legitimate. Sharaf did not know of any other banks with which Ahmed had dealt, or the extent of his cash deposits. Sharaf expressed confidence in Housing Bank's know-your-customer (KYC) due diligence, but showed less confidence in the Jordan National Bank. He noted, however, that the CBJ would further investigate the accounts.

Iraqi MOD Official Provides Further Confirmation

¶19. (S/NF) In a further development, Emboff met informally on Saturday, June 11 with Iraq MOD Deputy Director for Security and Intelligence Asaad Abood (strictly protect), who was in Amman along with other (non-MOD) Iraqi officials to participate in A U.S. Institute of Peace (USIP) workshop. Without going into any other details, Emboff asked Abood (a former London-based exile who has worked in MOD since 2003) if he knew anything about MOD contracting. Abood took Emboff aside and volunteered considerable information on what he called an "outrageous" situation.

¶20. (S/NF) Abood was and is unaware of our discussions on this subject with al-Gaaod and the Jordanian bankers. He independently confirmed al-Gaaod's claim that Ziad Kattan and ("Barzani man") Shaways are central to a massive contracting scam initiated in 2004 with the cooperation of former Iraqi Minister of Defense Shalwan (Abood was unaware of any involvement in the scheme by ex-President Gazi

Yawwar). Aboot said that "everybody in the MOD knows about this." Without elaborating, he asserted/speculated that most of the money has been paid into, and subsequent transactions conducted via, Lebanese banks.

A "Polish Connection"?

¶21. (S/NF) According to Aboot, Kattan maintains complete control over contract awards in the MOD. Aboot said that Kattan has a Polish wife, now living in Poland, who owns a company that is a participant in many MOD contracts, including one that involved the purchase of \$5 million-worth of Kalashnikov ammunition for \$20 million. Aboot related that at a group meeting Kattan dismissed a sales approach by some Chinese would-be vendors by telling them bluntly "I am not interested in Chinese products, and I am the sole person deciding on MOD contracts for the Iraqi government."

Misha al-Saraf: "The Biggest Thief of All"

¶22. (S/NF) In addition to Shaways, Aboot named Mishal al-Saraf (whom he said is a former senior advisor to Minister of Defense Sha,alan) as a key player with Kattan in various front company schemes. He called al-Sharaf "the biggest thief of all." Aboot added that al-Sharaf recently "disappeared" from Baghdad after being asked to meet with a parliamentary committee investigating corruption; he did not indicate any knowledge that al-Sharaf is currently in Amman, or of any involvement by Jordanian banks.

Further Al-Gaaod Comments

¶23. (S/NF) In a subsequent discussion, Al-Gaaod (who is not aware of our other meetings) noted that it is perfectly possible that all contracts will be officially honored, with the profits to the cabal coming from major overcharges and "gold-plating." By way of example he explained that "new" helicopters and other equipment may not necessarily be "newly-produced" (i.e., may come from old inventories) and that AK-47 ammunition can be bought cheaply in the region and billed as more expensive ammunition from Eastern Europe, etc. However he acknowledged that nothing can really be known about any of this without a full-fledged audit.

Tip of the Iceberg?

¶24. (S/NF) During this discussion, al-Gaaod claimed, without elaborating, that a similar scheme was "probably" pursued by the IIG Ministry of the Interior, and that Sha,lan and company also had separate front company structures including one involving food services, supplies, and equipment, that has led to over \$100 million being placed in Lebanese banks. (Note: Al-Gaaod is a good personal and political friend of Sha,lan's, and seemed clearly disturbed at the scale of the corruption (if that's what it is). He repeatedly tried to make excuses for Sha,lan, suggesting at one point that he was probably a bit player while at other times asserting that Sha,lan was the likely originator of the scheme. He also opined that Yawwer and Sha,lan may have needed the funds to offset the extensive transfers provided by Iran to finance their opponents. End Note).

Embassy Baghdad Comments

¶25. (S/NF) While the information from sources in Amman provides new details on MOD corruption, including the alleged involvement of Barzani, the issue itself is unfortunately not new. Former Prime Minister Allawi initiated an investigation near the end of the IIG and the Bureau of Supreme Audit recently published its report on the subject - Embassy forwarded a translation to NEA/I in late May.

¶26. (S/NF) As highlighted in ref c, which noted the concerns of Iraqi Commissioner on Public Integrity Judge Radhi on malfeasance within MoD and other ministries during the IIG, full support must be given to the relevant Iraqi authorities in investigating and stamping out corruption. Capacity within both MOD and MOI was minimal during the IIG with few if any standard/legal contracting procedures followed. To this end, Embassy Baghdad and MNSTC-I have helped put together a number of training sessions for both MOD and MOI counterparts on proper contracting procedures.

¶27. (C) The Iraqi Transitional Government has established a new committee through which approval must be obtained for any government contracts valued over \$2 million. Any government payments over \$200,000 can also no longer be done

in cash (ref b). The best of procedures or systems, however, will not prevent corruption when the officials responsible for implementing them are themselves dirty. With respect to MoD, it is at least a positive sign that DG Kattan was removed from the ministry on June 19. Kattan and Brusqa Shaways are undergoing magistrate's investigation. Both may face prosecution in the Central Criminal Court of Iraq.

¶28. (C) Due to the efforts of CPI Commissioner Radhi, the former IIG Minister of Labor, the Deputy Ministers of Housing and Construction and Defense, and the Commander of the Air Force have appeared recently before the Central Criminal Court of Iraq (CCCI). They have been released on bail pending completion of judicial investigation and trial. Also, an arrest warrant has been issued for the former Minister of Transportation (currently rumored to be in Jordan); the assets of former Minister of Housing and Construction have been frozen, and the Deputy Minister of Environment has been jailed pending completion of a judicial investigation and trial. The recent detention in Baghdad by MNF-I of Sa'ad Bunnia, a member of the Bunnia family business clan, with \$6 million in cash he claimed was related to an MoD contract, however, illustrates that fighting corruption and bringing Iraqi procurement practices in line with professional standards will realistically be a long-term work in progress. New Minister of Defense Duleimi has repeated to us on several occasions his personal commitment to eliminating corruption in his ministry.

HALE